

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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In re: Petition of City of Cambridge  
Regarding Streetlight Purchase

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D.T.E. - 04-65

**Petition of City of Cambridge**

Pursuant to G.L. c. 164 s. 34A, the City of Cambridge hereby petitions the Department of Telecommunications and Energy to resolve a dispute between the City and Cambridge Electric with respect to the City' purchase of street lighting equipment.

**PETITIONERS**

1. The City of Cambridge is a Massachusetts municipal corporation, with an address of

City of Cambridge, Massachusetts  
795 Massachusetts Ave.  
Cambridge, MA 02139 – 3201

**JURISDICTION**

2. The Department has jurisdiction to resolve any matter arising in connection with the exercise of a municipality's option to convert streetlights pursuant to G.L. c 164 s 34A (d).

**FACTS**

- 4) On June 2, 2003 the City mailed a conversion notice to the Company and the Department, (attached as Exhibit CAM 1) regarding petitioner's intention to convert the overhead streetlights to the alternative tariff authorized by G.L c 164 s 34A.
- 5) Since June of 2003, the City and the Company have met face to face on numerous occasions to negotiate the issues associated with the license agreement, the purchase and sale agreement and the purchase price.

- 6) The Company's purchase price methodology assigns a positive value to all streetlight equipment in Cambridge, including equipment in Cambridge that is sixty years old. (Attached as Exhibit CAM 2, see in particular the positive net book values, in Column F that are assigned by the company to streetlight equipment added by the company in 1942, and every year since 1942.)
- 7) The City and the Company agree on the book values for Gross Plant additions in Cambridge, Retirements in Cambridge, and Gross Plant Balance in Cambridge. These values, which were provided by the Company to the City are reproduced in Exhibit CAM 3.
- 8) The Company provided the following streetlight depreciation rates to the City,

As of 12/31/73	6.46%
As of 12/31/78	5.00%
As of 12/31/86	4.50%
As of 12/31/91	6.10%
Since 1992	6.29%

Emails from the Company listing these depreciation rates are attached as Exhibit CAM 4.

- 9) The City has proposed to the Company that the Company use the "Boston Edison Method", as described in DTE 98-89 and DTE 01-25, for computing the plant value of the streetlights in Cambridge.
- 10) The Company has refused to calculate the purchase price in Cambridge using the "Boston Edison Method", as described in DTE 98-89 and DTE 01-25.
- 11) The City and the Company met at the department in an informal meeting, hosted by the Department's General Counsel, on April 21, 2004 to explore the possibility of using an informal dispute resolution procedure to resolve outstanding issues.
- 12) At the April 21 meeting, at the department, Mr. Jeff Alves of the Company, referred to the ruling in DTE 01-25 as "a bad ruling".
- 13) At a negotiation in the Company's Westwood offices on June 4, 2004, Mr. Jeff Alves of the Company, refused again to calculate the purchase price for the City using the method described in DTE 98-89 and DTE 01-25.
- 14) Mr. Paul Chernick, the consultant retained by the City has calculated the net book value of the total streetlight plant in Cambridge, using the "Boston Edison Method" (see Exhibit CAM 5), using the gross plant values provided by the Company (in Exhibit CAM 3), and using the depreciation rates provided by the Company .

- 15) The method used by the Company to calculate the total streetlight plant value, yields a total plant value as of 12/31/03 of \$2,218,498.40 (See CAM 2 sum at the bottom of sixth Column on page 5 of 5 .)
- 16) The company's allocation formula, allocated \$1,724,206.33 of that plant value (or 78% of that total plant value) to Municipal lights. (See CAM 2, sum at the bottom of 12th Column on page 5 of 5 )
- 17) The City has used the Boston Edison Method, which is cited with favor in DTE 01-25, to calculate a total plant value, as of 12/31/03 of \$1,123,706. (See CAM 5, value at the bottom of page 1, Column 9)
- 18) The City has used the Company's allocation percentage of 78%, to determine the portion of that total plant value that relates to municipal lights. The allocated portion of that total value, using this approach, yields a City purchase price, as of 12/31/03, of \$876,491. (See CAM 5, value at the bottom of page 1, Column 10)

### **Issues in Dispute**

- 19) The City believes that the City is entitled to a purchase price that is calculated using a method that assigns a negative value to streetlight equipment that was installed in Cambridge 60 years ago. The Company disagrees.
- 20) The City believes that the method used by the Company to calculate the \$1.7 million purchase price as of 12/31/03 does not comply with the valuation standard in the statute or the rulings in DTE 98-89 of DTE 01-25, because:
  - a) The Company's method does not calculate accrued depreciation using depreciation rates that reflect the average useful life of streetlight equipment;
  - b) The Company's method does not calculate accrued depreciation using depreciation rates that have been used by the Company for ratemaking purposes;
  - c) The Company's method does not allow 60 year old streetlight equipment in Cambridge to have a negative book value;
  - d) The Company's method does not credit the City for depreciation recovered in revenues, for the streetlight equipment that has outlived its assumed useful life;
  - e) The Company's method uses Iowa curves to reset depreciation rates in the fashion that was rejected in DTE 01-25
- 21) The City believes that the "Boston Edison Method" used by Mr. Chernick to calculate the \$876,491 purchase price as of 12/31/03 complies with the statute and DTE 98-89 and DTE 01-25 because:

- a) The City's method calculates depreciation using depreciation rates that reflect the average useful life of streetlight equipment;
- b) The City's method calculates depreciation using depreciation rates that have been used by the Company for ratemaking purposes;
- c) The City's method allows 60 year old streetlight equipment in Cambridge to have a negative book value;
- d) The City's method credits the City for depreciation recovered in revenues, for the streetlight equipment that has outlived its assumed useful life;
- e) The City's method does not use Iowa curves to reset depreciation rates in the fashion that was rejected in DTE 01-25

### **Request for Relief**

- 22) The City requests the department to determine that the method used by the Company to calculate the total plant value of \$2,218,498.40 million as of 12/30/03 does not comply with the statute or the department's rulings.
- 23) The City requests the department to determine that the method used by the City to calculate the total plant value \$1,123,706 million as of 12/31/03, and the City's allocated portion of that value at \$876,491 does comply with the statute and the rulings and is the correct method to be used to calculate the purchase price of the streetlights in Cambridge.

Respectfully Submitted By:

John Shortsleeve  
Attorney for the City of Cambridge